

# Responsible Sourcing in Myanmar

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Gap Inc.

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## **Executive Summary**

### **Purpose**

As the first U.S. retailer sourcing apparel in Myanmar, Gap Inc. understands the need to evaluate and address risks in our supply chain and help develop responsible sourcing practices in the country's garment industry. We have elected to prepare this report in accordance with the U.S. State Department's "Responsible Investment Reporting Requirements" (the "Guidelines"), which draw on the United Nations Guiding Principles on Business and Human Rights (the "Guiding Principles").

We have chosen to report on a voluntary basis understanding that the nature of our business in Myanmar, which consists of sourcing garments from third-party factories, does not require mandatory reporting under the Guidelines. To more accurately present the full range of our activities in Myanmar, we have also provided certain "Supplemental Information," primarily in Appendices A-C, on our business and programs in the country, including our work to advance women in Myanmar.

### **Gap Inc. Responsible Sourcing in Myanmar**

Considering Myanmar's long period of isolation and early stage of development, we must address a number of challenges that affect the apparel industry and pose risks to garment workers and our business. We have engaged in extensive, ongoing consultations with key stakeholders across sectors to understand how human rights issues and the local operating environment in Myanmar impact and may be affected by our business. These consultations have involved in-person meetings and sustained dialogue with civil society and worker organizations in Myanmar, U.S. government agencies, the ILO and international NGOs with specialized expertise in Myanmar.

Our due diligence, risk assessment and mitigation efforts in Myanmar have been informed by the Guiding Principles and the core principles that guide our business, which are described in such documents as our Human Rights Policy, Code of Business Conduct, Anti-Corruption Policy and Code of Vendor Conduct (COVC). These policies are grounded in internationally recognized standards, including the Universal Declaration of Human Rights, the International Labor Organization's (ILO) Core Conventions and the OECD Guidelines for Multinational Enterprises. Consistent with these standards and the Guiding Principles in particular, our approach in Myanmar has involved ensuring appropriate policies are in place, assessing risks to workers, taking action to mitigate and prevent risks and reporting on our progress.

We are currently sourcing finished outerwear, including jackets and vests, for our Old Navy and Banana Republic Factory brands from two independently owned factories in

Yangon. Before approving each factory for sourcing and initiating production, we contracted with third-party experts on labor rights and working conditions, fire safety and structural safety to identify any human and workplace rights issues.

The initial assessments in November, 2013 identified a number of cases of non-compliance with our COVC, which are described in detail in the body of this report. A cross-functional Steering Committee of senior executives determined that no factory in Myanmar would be approved by Gap Inc. until third-party inspections and audits confirmed the factory met basic safety and structural standards and achieved an acceptable level of initial compliance with our COVC.

We have continued to work with factory management, workers and experts, including the ILO, to improve compliance and working conditions at each facility. These efforts have included: full factory audits by an independent third-party on a quarterly basis; development of corrective action plans; and training for management and workers to mitigate and prevent future issues. While changes take time and there is still work to do, each factory has made considerable improvements, which we expect to continue. Examples include:

- Development of policies and procedures and provision of training to address under-age hiring, lack of leave and inappropriate disciplinary practices;
- Worker education and communication on employment policies and practices;
- Revised work schedules and reductions in excessive working hours;
- Corrections to insufficient overtime wages;
- ILO training on Workplace Coordination Committees to improve communications and relations between workers and management;
- New grievance policies and procedures, including training on workplace conduct and grievance channels and an investigation process for addressing concerns;
- Formation of maintenance teams that conduct regular checks for electrical and chemical safety issues;
- Fire safety and emergency preparedness, including new exit routes, fire safety training and the creation of fire safety teams; and
- Structural integrity enhancements, including relocation of work materials to meet floor load capacities and the repair or replacement of structural support braces.

As a result of these changes, one factory had successfully resolved its key COVC compliance issues by the third full evaluation in June, 2014. The other factory had also made considerable progress in improving working conditions and factory safety, though a limited number of key issues remain to be resolved in a sustainable manner.

These improvements are encouraging, especially considering how new many of the practices and more rigorous standards are for these factories and the garment industry in Myanmar. Nevertheless, we recognize that sustained compliance often takes time to achieve, as management and workers go through an adjustment period to become familiar with new policies and procedures and change customary behaviors. We are committed to helping our approved factories maintain and improve their performance. Going forward, we are continuing to actively engage management to implement policies and programs that embed sustainable social compliance and continuous improvement into factories' operations. We aim to support the adoption of lasting solutions that will sustain fair, safe and healthy working conditions.

### **Supplemental Information**

In addition to responding to the U.S. State Department Guidelines, we have included certain Supplemental Information in this report about the development context in Myanmar and our social investment in the country. We feel this approach provides a more accurate picture of the local conditions and our activities in Myanmar, but we have sought to confine as much of this Supplemental Information as possible to Appendices A-C so the report can be easily navigated and understood.

We believe that, by engaging in responsible, inclusive business practices, multinational companies, individually and collectively, can help improve workers' lives and promote sustainable economic development in Myanmar. The apparel industry often provides under-employed workers in Myanmar and other developing countries, who are mostly women, with their first opportunity for steady employment in the formal economy. Initially, we expect our sourcing activities in Myanmar to create more than 700 new jobs to fulfill our apparel orders and aid in the employment of more than 4,000 workers.

To help foster inclusive, sustainable development and support our business, we are pursuing collaborative, multi-stakeholder initiatives that expand opportunities for women in Myanmar through cooperation with partners like CARE International and USAID. Three variants of Gap Inc.'s P.A.C.E. (Personal Advancement & Career Enhancement) program are being developed for women at the two factories from which we source and women in nearby communities, including migrant workers and women with entrepreneurial aspirations. P.A.C.E. uses cultural sensitization and contextualized, participatory learning modules to develop life skills and learnings that enable women to advance through work, at home and in their communities. More information about the three P.A.C.E. programs in Myanmar, including our collaboration with USAID, is provided in Appendix C.

Through our business and these initiatives, we hope to make a lasting contribution to the people of Myanmar and the country's long-term social and economic development.

### **Submitter**

Gap Inc.

### **Acknowledgement**

By signing this Public Report, Gap Inc. acknowledges that it will be made public. No information included in items 1 through 8 of the Government Report is exempt from public disclosure under Freedom of Information Act (FOIA) Exemption 4. As such, no redactions have been made to items 1 through 8.

### **Point of Contact**

Wilma Wallace  
Vice President, Global Responsibility, Business & Human Rights  
Gap Inc.

### **Overview of Operations in Myanmar**

We have chosen to issue this report on a voluntary basis. At the time of publishing this report, Gap Inc. does not own, lease or operate any offices or facilities in Myanmar. We have not stationed any personnel permanently in the country, nor paid any salaries of factory management or workers. Our activities in the country are limited to sourcing (or contracting production for) finished outerwear, including jackets and vests, from third-party factories in Yangon for our Old Navy and Banana Republic Factory brands. As we understand it, Gap Inc.'s presence in Myanmar does not constitute a "New Investment" under the U.S. Office of Foreign Assets Control (OFAC) General License No. 17, meaning we are not subject to the mandatory reporting requirements.

In order to supply products to some 3,100 company-operated stores and 350 franchise stores globally, Gap Inc. sources apparel from factories in more than 40 countries. This diverse base of suppliers strengthens our supply chain, mitigates risk and supports global growth. We base the decision to source apparel from specific countries and vendors on several criteria, including: quality, cost, capacity, timeliness of delivery, social and environmental factors, and innovation. In order to supply products to Gap Inc., factories must meet our requirements for each of these criteria.

Due to Myanmar's legacy of garment production, we were able to identify certain factories with the capabilities to supply high quality apparel in the volumes that our business requires. The factories that make our branded apparel in Myanmar are owned

by two different vendors based in South Korea. In addition to the above criteria, we selected these factories based on the strength of our pre-existing, long-term relationships with each vendor and our ability to productively engage management around the need to achieve and sustain compliance with our COVC and pursue continuous improvement.

The factories' operations are limited to the construction of outerwear, which includes cutting and sewing fabric and attaching trims and labels to create finished garments.

### **Due Diligence Policies, Procedures and Actions**

Before deciding to source garments from factories in Myanmar, we formed a cross-departmental Steering Committee of senior executives in the first quarter of 2013 and developed a plan to conduct due diligence on human rights issues and local business conditions. Heavily influenced by the Guidelines, we designed our human rights due diligence process to conform to the human rights principles and practices presented in the U.N. Guiding Principles on Business and Human Rights.

The Steering Committee includes senior leaders from Gap Inc.'s Sourcing, Legal, Social & Environmental Responsibility and Government and Public Affairs departments. Members of the Steering Committee have shared responsibility on the approach to conducting business in the country. They have visited Yangon to meet with factory management and stakeholders and continue to meet regularly to review our strategy, activities and results in the country.

Our due diligence on human rights and business conditions in Myanmar included a combination of desk-based research, company benchmarking, direct engagement with civil society and worker organizations in Myanmar and consultations with the U.S. government and international NGOs. These consultations informed our identification of issues and risks for workers and our business, which are identified below and described in Appendix A, as well as our human rights due diligence, risk mitigation and prevention.

### **Due Diligence: Research and Benchmarking**

We conducted third-party research on country and business indicators to help evaluate conditions in Myanmar and inform our stakeholder engagement. This research assessed political, infrastructure and human rights risks to consider and address as part of the decision to conduct business in Myanmar. Our analysis drew on resources such as the World Bank's Worldwide Governance Indicators and Transparency International's Corruption Index. We also consulted select U.S. government officials and other businesses as well as guidance and reports by the United Nations,

governments and NGOs.

Our due diligence included benchmarking with other companies that are currently, or considering, conducting business in Myanmar. In addition to holding meetings with company representatives to identify and understand issues and risks, we have actively supported opportunities for private sector collaboration, including Business for Social Responsibility's (BSR) Myanmar Responsible Sourcing Working Group. As a member of the Working Group, we also helped to develop BSR's Principles of Responsible Sourcing for Myanmar's Garment Sector. The Principles were informed by the U.N. Guiding Principles on Business and Human Rights, ILO conventions and consultations with more than 20 local stakeholders.

The findings from our third-party research and company benchmarking have been used to inform our stakeholder engagement and due diligence on human and workplace rights and working conditions.

### **Community and Stakeholder Engagement Policies, Procedures and Actions**

Gap Inc. has a history of actively engaging stakeholders, recognizing that through this dialogue we can find effective ways to address labor and human rights and environmental issues. We consult stakeholders who are both supportive and critical of our efforts. They provide valuable input into social issues and communities where we source apparel and play important roles in implementing and evaluating programs. We rely on their insights and support to inform and improve our policies, programs and practices on an ongoing basis.

Leading up to our decision to source apparel in Myanmar, we developed and implemented a plan to engage stakeholders around human rights issues and local business conditions. We identified key individuals and organizations across a range of sectors from the international community and on the ground in Myanmar.

We consulted the U.S. government and international NGOs with specialized expertise in Myanmar to inform our due diligence and identify key stakeholders in the country. We worked with USAID to understand how our programs could help address important social issues, including Myanmar's large population of under-employed workers and the lack of economic opportunities for women.

On the ground in Myanmar, we met with the ILO to discuss the political landscape, labor law reforms, the environment for worker representation and initiatives specific to the garment sector. Our involvement with the ILO dates back to our role in helping to found

the Better Work program. We also consulted civil society and worker organizations to gain an understanding of key human and labor rights issues.

We endeavored to establish an environment of trust that allowed for direct, open dialogue. We worked with trusted intermediaries to hire a local translator and arrange meetings with local NGOs and union representatives. We have used these occasions to establish relationships that we expect to play a key role in our ongoing efforts to understand and respond to the evolution of economic, social and environmental issues in Myanmar.

Table 1 below identifies the organizations that we have consulted as part of our ongoing stakeholder engagement efforts.

<b>Table 1 - Stakeholder Engagement - Organizations Consulted</b>	
<u>Government</u>	
<i>Myanmar</i>	
	Myanmar Office of President and Parliament
	Myanmar National Human Rights Commission
<i>U.S.</i>	
	U.S. Agency for International Development (USAID)
	U.S. State Department
	U.S. Office of the Trade Representative (USTR)
	U.S. Department of Labor
	U.S. Department of Commerce
	U.S. Department of the Treasury
	U.S. Embassy in Yangon
<u>International Organization</u>	
	International Labor Organization (ILO)
	World Bank/IFC Myanmar office
<u>NGO</u>	
<i>Myanmar</i>	
	The 88 Generation Peace and Open Society
	CARE Myanmar
	Myanmar Center for Responsible Business
	Myanmar Development Resource Institute
	Pyoe Pin Program
<i>International</i>	
	Business for Social Responsibility (BSR)
	Ethical Trading Initiative (ETI)
	Institute for Human Rights and Business (IHRB)
	Shift Project
<u>Union/Labor Representation</u>	
	Action Labor Rights Trade Union
	Federation of Trade Unions of Myanmar (FTUM, formerly FTUB)
	Labour Rights Defenders and Promoters Network (LRDP)
	Solidarity Center
<u>Industry</u>	
	Myanmar Garment Manufacturers Association (MGMA)

We also worked with Fontheim International, Seneca Point Global, Verite, Walter P Moore and Associates and ccrd as part of our efforts related to human and workplace rights due diligence, risk mitigation and risk prevention.

Our due diligence and stakeholder engagement have been instrumental in understanding and addressing the risks that affect the workers who make our clothes and our business in Myanmar. They have enabled us to identify a number of legal, labor and human rights issues that need to be actively monitored and addressed in order to manage these risks and meet the principles and international standards embodied in our Code of Business Conduct, Human Rights Policy and Code of Vendor Conduct. These issues are identified in Table 2 below and described in more detail in Appendix A.

<b>Table 2 - Issues Affecting Business in Myanmar</b>	
Child and forced labor	Corruption and governance
Working hours and wages	Land rights and property acquisition
Freedom of Association and Collective Bargaining	Discrimination and ethnic conflict
	Building and fire safety

In addition to continued stakeholder engagement, we have developed a bi-annual risk assessment process to help identify, evaluate and address business risks at the country and industry levels in Myanmar on an ongoing basis. This process uses a combination of data, risk indices and expert analysis to assess and respond to changes in the country’s social, political and regulatory environments.

**Human and Workplace Rights Policies and Procedures**

Our human rights due diligence in Myanmar has been guided by the country’s unique circumstances as well as our company promise to “Do more than sell clothes” and the values embodied in our policies. We also relied on the U.N. Guiding Principles on Business and Human Rights to help identify human rights issues and address adverse impacts. The specific policies that have guided our work in Myanmar and our business around the world include the following:

- Human Rights Policy – In addition to adhering to national laws, we seek to ensure respect for fundamental human rights throughout our wholly owned operations and our apparel supply chain. We support the fundamental human

rights and labor principles contained within the Universal Declaration of Human Rights (UDHR) and the ILO's Declaration on Fundamental Principles and Rights at Work. These fundamental labor principles include the prohibition of child labor and forced labor in all its forms, freedom of association and the right to collective bargaining and protection from discrimination. The full text of our Human Rights Policy is publicly available on our company website [here](#).

- Code of Business Conduct – We believe how we do business is as important as what we do. We have zero tolerance for discrimination, harassment or retaliation. This policy applies to our directors, employees, customers and business partners, including independent contractors, vendors and suppliers. Our employees have a responsibility to voice concerns about possible violations through our open door process, Global Integrity Department or free, confidential Code Hotline, which is available to Gap Inc. employees around the world 24 hours a day, seven days a week. The full text of our Code of Business Conduct, which includes our Anti-Corruption Policy, is publicly available on our company website [here](#).
- Code of Vendor Conduct (COVC) – All of the factories that make our branded apparel are required to abide by our COVC. Among other mandates, our COVC prohibits child labor, forced labor and any form of discrimination against workers. It requires factories to: uphold workers' rights to freedom of association and collective bargaining; treat all workers with respect and dignity; and provide workers with a safe and healthy environment. The full text of our COVC is publicly available on our company website [here](#).

### **Human and Workplace Rights Due Diligence**

In practice, the ability to ensure these policies are upheld in Myanmar and other countries across our global supply chain depends on factories' capacity to comply with our requirements as well as our efforts to engage management and workers. From past experience, we understand the importance of being able to work productively with management to resolve any issues. This is particularly true in Myanmar considering the country's under-developed legal system and local business' lack of experience with international standards for labor rights and working conditions. Our Sourcing and Social & Environmental Responsibility teams worked closely together to identify factories in Myanmar where management would serve as close partners and support our efforts to ensure workers are treated with dignity and respect and have safe and healthy working environments.

## **Factory Monitoring and Engagement**

Two key principles guide our approach to monitoring and improving working conditions at the factories that make our branded apparel.

- Performance measurement – We believe that what gets measured gets managed. We monitor factories against the consistent standards of our COVC, and we rate their performance over time so that we can more effectively address issues.
- Remediation – We work to fix what we find. The value of monitoring is reflected in the actions that are taken at factories to implement sustainable solutions to COVC compliance issues.

Our factory monitoring and engagement program includes five stages:

- Approval – Before any factory can manufacture apparel branded by Gap Inc., it must be approved based on an audit that evaluates compliance with our COVC.
- Monitoring – We visit factories and conduct audits to assess performance against our COVC.
- Rating – We assign each factory a rating based on its audit results. Rating factories is a rigorous process that requires careful decisions about weighting hundreds of indicators of COVC performance. In our system, “key” issues, such as excessive overtime, have greater negative impact on a factory’s rating than “non-key” issues, such as first aid kits not being fully stocked.
- Remediation – When we encounter COVC issues at a factory, we work with factory management to agree on specific, time-bound improvement plans and monitor progress through follow-up visits and on-site meetings with management and unions, if they are present in a factory.
- Training and development – We strive for a model of continuous improvement by building on and sharing the lessons we have learned with vendor and factory management.

### Factory Selection, Monitoring and Approval

The two factories that we selected to make our branded apparel in Myanmar are owned by two different vendors based in South Korea. We based this decision on the strategic, long-term relationships that we have developed with each vendor through a history of sourcing apparel from factories that each vendor operates in other countries in Asia. In addition, senior members of our Vendor Engagement & Monitoring team, who are also based in Seoul, have the ability to meet regularly with vendor leadership to discuss factory monitoring and corrective action plans as needed due to their close geographic proximity.

At the Steering Committee's direction, no factory in Myanmar could be approved by Gap Inc., a requirement for initiating production, until third-party inspections and audits confirmed the factory met basic safety and structural standards and achieved an acceptable level of initial compliance with our COVC. Considering our entry into the country and the risks of conducting business in Myanmar, we engaged third party experts on labor rights and working conditions, building structural safety and fire safety to verify the factories met the approval requirements. Our structural and fire safety due diligence, risk mitigation and prevention efforts are described in the section further below on "Building and Fire Safety."

We engaged Verite, a consultancy specializing in labor rights and working conditions, to conduct recurring audits at each factory to assess labor, health and safety issues covered by our COVC. Verite's team completed an initial full audit in November, 2013 and a follow-up audit in January, 2014 at each facility before the factories began cutting fabric for our clothes. Two more full audits were conducted at each factory from March 31 to April 3 and June 23 to 26. Additional full audits are scheduled to be conducted at both factories in September and December, 2014.

Verite's audit procedures followed established industry protocols to maintain independence and objectivity. Each Verite audit team has consisted of four people – two auditors with responsibility for labor and health and safety issues and two local worker interviewers. A member of Gap Inc.'s Vendor Engagement & Monitoring team remained on-site throughout the audits to attend opening and closing meetings with management as well as facilitate interaction and debrief findings with Verite's team. All worker interviews were conducted in private spaces so workers would feel comfortable providing information without fear of reprisal from management. Establishing an environment of trust with workers is important for getting honest feedback about factory practices and working conditions and checking for consistency between information provided by workers, management and documents.

The initial, full assessment in November, 2013, which was conducted prior to approving each factory for production, uncovered a number of compliance issues. At each factory, certain required policies and procedures that are critical for ensuring management and workers know what must be done to comply with our COVC were deficient or did not exist. Examples included the absence of policies and procedures for preventing and addressing inappropriate disciplinary practices and complying with the ILO Code of Practice on Recording and Notification of Occupational Accidents. Many policies and procedures that did exist were not properly documented and not posted in the factory

for workers to review. In addition, Verite's audit team noted the issues below at one or both factories.

- Health and safety (H&S)
  - Factories had electrical and chemical safety issues, including lack of worker training on handling cleaning chemicals, exposed electrical outlets and wires, and missing warning information.
  - Workers were not instructed on wearing or, in some cases, provided with appropriate personal protective equipment (PPE).
  - Factories had ventilation or air circulation issues or did not adequately monitor temperature in working areas.
- Age verification and requirements
  - While Verite's audits have not found evidence of child labor at either factory, document reviews and worker interviews indicate under-age workers have been employed at each facility prior to Gap Inc. placing production in the facility. At one factory, several workers stated they were 19 years of age but had worked at the facility for 3-5 years.
  - One factory had inconsistent policies that set the minimum hiring age at 18 years old and 15 years old.
  - Some personnel files did not contain proof of age verification.
  - Some age verification documents, such as Family Books, showed signs of manipulation, including instances of varying handwriting and signatures and erasures.
- Working hours and wages
  - Working hours exceeded the permitted limit of 60 total hours (including overtime), and workers did not take one day off in seven days. On the other hand, workers interviewed at one factory did consider overtime work to be voluntary.
  - Workers did not understand how to calculate their wages.
  - Factories did not consistently pay required premiums for overtime hours.
  - Promotion process and criteria were not documented or known to workers.
  - Factories did not have policies regarding annual earned and paid leave or had policies that conflicted with Myanmar law, which allows for the accumulation and use of leave over a three-year period. Management did not communicate or provide training to workers about these entitlements, and most workers were not aware of them.

- Disciplinary practices
  - Factories did not have a documented, formal disciplinary policy, resulting in inconsistent disciplinary practices and punitive fines.
  - Workers reported cases of verbal abuse and inappropriate behavior by supervisors. Cases of witnessing or being subjected to verbal abuse were considerably more common at one factory than the other.
  - Line supervisors had taken unofficial disciplinary action or collected fines from workers without a clear basis for action at one factory.
- Grievance mechanisms
  - Factories did not have formal, written grievance procedures or inform workers of grievance channels.

Verite's audits and worker interviews have not found cases of ethnic discrimination in either hiring practices or the treatment of workers.

### **Human and Workplace Rights Risk Prevention and Mitigation**

Building on our established practices, our Vendor Engagement & Monitoring team has helped each factory to develop corrective action plans for the COVC issues identified above. Early in the remediation process, the team acted on the need to work closely with management and workers to help them understand and fix the issues identified by Verite's audits. We established regular training programs and weekly follow-up meetings with management at each vendor's headquarters to track progress and address outstanding issues. Our ongoing efforts have been designed to help managers and workers develop the technical skills and know-how to sustain compliance with Gap Inc.'s labor, health and safety standards and continuously improve their performance. In addition, our team has worked directly with senior management at the two vendors' headquarters in Korea to help drive systematic change at each factory.

Both factories initially focused on the large body of work involved in creating, revising and documenting the policies and procedures that are necessary to ensure compliance with our COVC. In many cases, existing policies and procedures needed to be enhanced or modified and documented so they could be communicated to management and workers and applied consistently.

### **Training and Development**

Training by local management, Gap Inc., Verite, the ILO and others has played a key part in improving compliance with our COVC and promoting continuous improvement.

- Gap Inc.'s team provided training to factory management on our COVC, Code of Business Conduct and unauthorized subcontracting policy.
- Factory management have provided ongoing training to workers on labor, health and safety topics covered by our COVC.
- Verite's team led two-day, participatory workshops for each factory's management, with specific emphasis on the use of management systems to sustain and continuously improve compliance with labor, health and safety standards. Topics covered included: child and forced labor; FOA and the right to collective bargaining; non-discrimination and humane treatment; wages and benefits; working hours; and health and safety.
- The ILO invited representatives from each factory to attend workshops on its Workplace Coordination Committee (WCC) "train the trainer" program, which is designed to provide workers and management with the tools to improve communications and relations with one another. The training included modules on: roles and responsibilities of worker representatives and front-line supervisors; interest-based problem-solving; labor-management cooperation; communication for effective problem-solving; and active listening. Representatives from the two unions that are present at one factory must be allowed to participate on WCCs according to local law.

As a result of the combined efforts of management and workers, Verite and the Gap Inc. team, each factory has made considerable improvements, allowing for production to take place in the factories. Examples of improvements that the factories have made to their policies, procedures and practices are highlighted below.

- Health and safety (H&S)
  - Management and workers have received training on the use of personal protective equipment (PPE) and proper procedures for segregating potentially hazardous chemicals.
  - Maintenance teams were formed to conduct regular checks for electrical or chemical issues that could compromise worker safety.
  - One factory installed overhead exhaust fans to improve air circulation and reduce ambient temperature.
- Age verification and requirements
  - Procedures for recruitment, selection and hiring have been tightened to screen out risks of hiring under-age workers.
  - Both factories decided to institute a minimum hiring age of 18 years old. While we did not require this action, factory management chose this approach to prevent issues with hiring or employing under-age workers.

- Working hours and wages
  - Both factories have revised their work schedules and substantially reduced incidents of excessive overtime, though we recognize the need to actively monitor this issue on an ongoing basis.
  - Factories have provided training to help workers understand the promotion process as well as wage policies and statements.
  - Practices for calculating overtime pay have been adjusted to comply with COVC standards.
  - Factories have eliminated punitive fines and payroll deductions that are not commensurate with shortfalls in workers' hours.
- Freedom of Association
  - The ILO and U.S. Federal Mediation and Conciliation Service (FMCS) invited representatives from each factory to attend Workplace Coordination Committee (WCC) workshops, which are designed to improve communications and relations between workers and management.
  - We are making arrangements with the ILO in Myanmar to facilitate two days of training workshops on FOA and worker-management relations and dispute resolution by the end of September, 2014. The workshops are planned to consist of two stages. Stage one is scheduled to cover: workplace rights and responsibilities under Myanmar's Summary of Labour Organization Law; building constructive relationships between workers and managers; basics of dispute settlement under the Summary of Settlement of Labour Disputes Law; advocacy and negotiation skills; and workplace cooperation for a safer environment. Stage two is expected to cover: the legal framework for employment rights; use of WCCs; and advanced dispute prevention and resolution.
- Disciplinary practices
  - Both factories have developed formal policies, procedures and documentation that address inappropriate disciplinary practices by supervisors or management.
  - Factories have provided training to supervisors and workers on workplace etiquette and code of conduct.
  - Factories have taken measures to reprimand and discipline supervisors who engaged in verbal abuse or inappropriate behavior toward workers.
- Grievance mechanisms
  - Both factories have developed and documented grievance policies and procedures and provided worker training on grievance channels.
  - More details are provided in the separate section below on "Grievance Policies and Procedures for Employees and Local Communities."

While work remains to meet our expectations for sustained performance and continuous improvement, each factory has taken important steps that have considerably improved working conditions and compliance with our COVC since Verite’s first full audit in November, 2013. As a result of these changes, one factory had successfully resolved all key issues by the third full evaluation in June, 2014. The other factory had also made considerable progress in improving working conditions and factory safety, though a limited number of key issues remained.

Table 3 below summarizes the COVC issues identified by Verite during the initial audit evaluation in November, 2013 and the follow-up evaluations in April and June, 2014. The color gradations indicate whether issues were found at both facilities (dark blue), one facility (medium blue) or neither facility (white). The upward arrows identify areas where either one or both factories have improved compliance with our COVC since the initial evaluation.

Gap Inc. Report on Responsible Sourcing in Myanmar

Table 3 - Code of Vendor Conduct (COVC) Issues by Evaluation							
Compliance Principle	Principle Subsection	Select Compliance Details	New Evaluation Nov. 2013	Full Evaluation April 2014	Full Evaluation June 2014	Change Since Nov. 2013 Evaluation	
Management system	Legal & customer requirements	Does not allow unrestricted access				↑	
		Does not operate in compliance with local laws				↑	
Environmental (Health & Safety)	Hazardous substances	Does not store and dispose of hazardous materials appropriately				↑	
	EMS	Does not have an EMS				↔	
Labor	Child labor (Age verification & requirements)	Does not comply with child labor laws, including hiring, wages, hours & conditions regulations				↑	
		Does not maintain official documentation of age				↑	
		Employs worker below the legal min. age or 15, whichever is higher				↑	
	Contract labor regulations	Employment contract terms				↑	
	Discrimination	Discriminatory distribution of wages & benefits				↑	
	Humane treatment	Does not prohibit psychological abuse or coercion				↑	
	Wages & benefits	Does not pay minimum wage or industry standard					↑
		Does not pay overtime & incentives as required					↑
		Does not provide leave and holidays as required					↑
		Does not provide understandable wage statement					↑
	Working hours	Does not allow workers to refuse overtime					↑
		Does not avoid excessive overtime					↑
Does not provide 1 day off in 7						↔	
Working conditions	Machine safeguarding	Does not equip machinery with operation safety devices and inspect on a regular basis				↔	
	Occupational safety	Does not comply with health & safety laws				↑	
		Does not conduct annual evacuation drills (including fire emergency instructions and documenting drills)				↔	
		Does not maintain appropriate fire extinguishers				↑	
		Does not maintain clear aisles, exits, stairwells, control panels and fire-fighting equipment access				↔	
		Does not maintain fire alarms and emergency lights				↔	
		Does not maintain sanitary toilet facilities				↑	
		Does not maintain sufficient, clearly marked exits & routes				↔	
		Does not provide a first aid kit on each floor				↑	
		Does not provide appropriate PPE				↑	
		Does not provide potable water				↑	
		Does not provide sufficient ventilation				↑	
Key:							
	No COVC violation found		↑	Improvement in COVC compliance since 11/13			
	COVC violation found in one factory		↔	No change in COVC compliance since 11/13			
	COVC violation found in both factories		↓	Decline in COVC compliance since 11/13			

Most compliance indicators are made up of a number of sub-details that can each individually trigger an issue at a higher level, even if all other sub-details are in compliance. For example, the sub-details for “Machine Safeguarding” range from “Machinery/equipment without safety guards” to “Poor housekeeping in some areas of the facility.” As another example, while both factories have conducted annual evacuation drills, the June audits indicated non-compliance at the sub-detail level due to incomplete record-keeping regarding exit time and employee headcount. Both factories have agreed to keep full records going forward.

Overall, the table demonstrates a strong positive trend in compliance and improved working conditions, though several issues remain to be addressed and compliance must be sustained over time. Some issues, such as aspects of occupational safety, can be more prone to lapses during these early audits, as issues that are fixed in one area may show up in another and consistent compliance often takes time to achieve.

#### Areas for Improvement and Continued Attention

Despite the progress that has been achieved, the audit findings still point to a reduced set of recurring issues, which are more prevalent at one facility. Based on the experience of our Vendor Engagement & Monitoring team, we expect to observe a lag in awareness when new policies and procedures are implemented, as it often takes time for workers and management to understand and retain information and make adjustments to customary practices and behavior. In Myanmar, this adoption period may be longer than it might be in some other cases considering how new many policies and programs are to certain management, supervisors and workers at each factory.

Among other areas, this adoption period also applies to the provision of remedy in cases where workers are harmed or mistreated, as called for by the U.N. Guiding Principles on Business and Human Rights. In one case, the factory issued a warning letter to a supervisor for an incident of verbal abuse, and the supervisor apologized to the worker. In another, the factory demoted a production manager, a top position at the factory, to a rank-and-file worker for inappropriate behavior toward a worker. Both of these cases show management’s intent to address improper treatment of workers. Going forward, we plan to continue to support the factories’ efforts to develop appropriate processes and practices to provide remedy to workers in relevant cases.

Our findings to date suggest the more rapid improvement at one factory is related to differences in management at each facility. While both factories are owned by South Korea-based vendors, the head as well as most managers and supervisors at one factory are locals who have worked at the facility for many years prior to Gap Inc.’s

sourcing from the factory. Due to Myanmar's isolation and lack of exposure to international practices, they have limited experience with adopting new business methods or complying with current international standards. At the other factory, more senior management are expatriates with international experience who are more comfortable with adopting and implementing the policies, procedures and practices that are instrumental in achieving compliance with our COVC.

Going forward, we are continuing to actively engage management to support the implementation of policies and programs that will embed sustainable social compliance and continuous improvement into the factories' operations. Through these efforts, we aim to assist each factory with implementing lasting changes that will help ensure workers are treated with fairness, dignity and respect and have a safe and healthy work environment.

### **Building and Fire Safety**

Myanmar's government issued the provisional Myanmar National Building Code (MNBC) in September, 2013, which has yet to be implemented. The country's limited rule of law and under-developed regulatory regime, including the absence of a national building code to date, and factories' lack of experience with fire safety and emergency preparedness create potential human rights and business risks. While we expect the probability of these risks to be quite low compared to other risks, the severity of the impact of an unlikely structural event or fire at a facility on workers' well-being and our business could be substantial.

Gap Inc. engaged Walter P Moore and Associates (WPM) to inspect and develop Factory Structural Improvement Plans (FSIP) for each factory and conduct desktop research on structural risks at garment factories in Myanmar. We engaged the engineering firm ccrd to conduct a fire safety assessment of Myanmar's apparel industry and an on-site fire protection assessment at each factory. Verite's audits also addressed fire safety issues in terms of emergency preparedness at each factory.

### **Structural Safety Due Diligence, Risk Prevention and Mitigation**

Overall, WPM's structural assessments identified areas for improvement but did not find any imminent threats to worker safety related to either factory's structural integrity. Both factories had issues with the condition of certain structural support braces. At one factory, WPM also identified a need to address additional issues, including: certain roof trusses sagging, excessive loading from the storage of work materials or products and incorrect structural documentation.

Both factories have developed and begun to implement plans to correct these issues. Examples of measures the factories have taken include:

- Relocation of stored work materials to levels within the facilities' design specifications for floor load capacities;
- Removal of undocumented construction that could compromise floor load capacities; and
- Repair or replacement of structural support braces.

Going forward, WPM recommended conducting structural assessments of any new factories in Myanmar that account for the following factors:

- Factory location relative to risk zones for coastal and seasonal river flooding and natural disasters; and
- Structure's age, height, type of construction, quality and condition of structural systems, operational loads, maintenance, modifications and documentation.

#### Fire Safety Due Diligence, Risk Mitigation and Prevention

ccrd called out two aspects of fire safety: 1) life safety, which focuses on features intended to minimize the danger to life from the effects of fire; and 2) property conservation, which minimizes the fire risk to structures, content and business continuity. ccrd's assessment focused on life safety, while giving some high-level consideration to property conservation.

ccrd's assessment points to an important distinction between the apparel industries in Myanmar and Bangladesh. Whereas many garment factories in Bangladesh are located in multi-story buildings, apparel factories in Yangon are typically one- and two-story buildings with mezzanines. Fire risk to workers' lives is generally much greater in taller buildings where it is more difficult to quickly exit the building from higher floors.

On the other hand, the on-site factory assessments uncovered a very low level of awareness at both facilities about fire safety and emergency preparedness. Specific safety and preparedness issues included:

- Lack of emergency exits and clear, lighted escape routes in some production areas;
- Unclear or blocked exit pathways and excessive travel distances to exits;
- Exits have sliding gates rather than swinging doors;
- Instructions not written in the local language;
- Lack of fire evacuation drills for worker preparedness; and

- Lack of life safety inspection programs and inspection records for alarms and emergency equipment.

Both factories have developed and begun to implement corrective action plans to address these issues. Examples include:

- Provision of training on fire safety to management and workers by a third-party expert, ITS. Participants were especially receptive to the training considering their initially low level of awareness and lack of similar opportunities to date;
- Creation of additional, alternative exit routes to meet distance and worker capacity requirements for fire safety and emergency preparedness;
- Posting of additional exit signs in areas where needed;
- Extension of handrails; and
- Plans to replace sliding exit gates with swinging exit doors so workers can quickly and safely exit buildings.

While both facilities have made progress in the above areas, they will need to actively ensure ongoing compliance, particularly in cases that can be prone to fluctuations in compliance, such as maintaining clear and unobstructed exit pathways. ccrd has also advised Gap Inc. to closely follow the country's adoption and implementation of the MNBC. If order volumes increase significantly, ccrd has recommended developing relationships with government agencies that are responsible for factories, the MNBC and fire service in order to monitor and better understand the evolution of the regulatory environment for fire safety.

### **Grievance Policies and Procedures for Employees and Local Communities**

The ability for workers to raise concerns about factory policies, practices or conditions without fear of reprisal is an important aspect of protecting workers' rights. Similarly, local communities need to be able to voice concerns about the social and environmental impacts of nearby factories. We view these insights from both workers and communities as valuable sources of information for managing stakeholder relationships and improving our policies and programs.

Several workers interviewed by Verite reported some success with discussing problems with their supervisors at one facility. However, most workers, some of whom had complaints, were unaware of channels for raising their concerns and reported being fearful of expressing criticism to management.

Based on the audit findings, both factories have taken measures that can help workers express and resolve grievances, including:

- Development of formal policies, procedures and documentation for grievance mechanisms;
- Inclusion of “no retaliation” and confidentiality provisions into policy and procedures for addressing grievances;
- Provision of training to supervisors and workers on workplace etiquette, code of conduct and grievance channels; and
- Creation of an investigation process and dedicated committee for addressing grievances.

While these measures are important, we understand that, in practice, workers’ capacity to express grievances and advocate for their rights depends on key enabling factors. In particular, these include productive worker-management relations and a work environment that supports Freedom of Association and Collective Bargaining, which are required by our COVC. The ILO workshop on Workplace Coordination Committees, which representatives from both factories participated in, is a valuable step in this direction. Going forward, we plan to continue to work with the ILO to help build the capacity of management and workers to implement and sustain an environment that enables workers to express and resolve any grievances without fear of reprisal.

### **Environmental Policies and Procedures, Risk Prevention and Mitigation**

The two factories we source from in Myanmar engage in garment construction, which includes cutting and sewing fabric and attaching trim and labels to create finished outerwear. The environmental impact is low due to the relatively simple nature of the production process, which does not involve the use of chemicals or water for finishing, dyeing or laundering processes. One of the two factories does have an on-site laundry and a basic system for treating and testing wastewater and providing samples to a government agency, but the laundry is not used in the production of clothes for Gap Inc.

Our team also plans to work with management at each factory on conducting a self-assessment of environmental risks and impacts using the Sustainable Apparel Coalition’s (SAC) Higg Index. The factories will use the Higg Index v2.0 to evaluate their environmental performance in a number of areas (e.g., energy consumption and GHG emissions, water, air quality, waste and chemicals). Gap Inc.’s team will provide training on how to apply the Higg Index and complete the assessment, which will draw on our experience piloting the index with a large sample of cut-sew factories in other countries. Each factory in Myanmar will work with our local team to analyze the

assessment results and develop a corrective action plan to address any issues.

Going forward, our local team also plans to conduct further research on the current and anticipated regulatory environment for environmental issues in Myanmar. Considering the limited existing regulations and documentation, the primary approach to obtaining information is expected to consist of in-person meetings and conversations with government agencies and local environmental groups. If the products we source in Myanmar change in a way that could have greater implications for the natural environment, we expect to conduct an environmental impact assessment and evaluate the need for risk mitigation and prevention measures.

### **Property Acquisition**

Considering the prevalence of land confiscations in Myanmar, we consulted with stakeholders abroad and in-country to learn about the risks related to land rights and property acquisition, as well as any best or good practices.

Our consultations with the Myanmar Human Rights Commission and other stakeholders identified a number of challenges that make it difficult to confirm the legitimacy of land ownership. Myanmar's political history and under-developed legal system often leave open questions about how land was acquired in the past that cannot be fully resolved.

Despite these challenging circumstances, Gap Inc.'s team conducted due diligence with each factory's management in an effort to ensure the facilities were not involved in any land dispute issues prior to authorizing approval to source from the factories. Both factories have operated in Myanmar for over 15 years and, similar to many other businesses in the country, have long-term land lease agreements (e.g., 20-25 years with two 5-year extensions) with the Myanmar government. In contrast, many of the land confiscations and disputes in Myanmar occurred either after the factories were established, during the period since 2010, or before in the early 1990s, when Myanmar last attempted to invite foreign investment.

Each factory has legal documentation for the land it occupies, and we have not been able to find any records or indication that land disputes occurred during the period that the factories have been in operation. On the other hand, for the reasons noted above, there is no way of completely ruling out the possibility that other parties could claim rights to the land that predate either factory's existence.

Going forward, we have engaged factory management about the need to conduct thorough due diligence, including community consultation, before acquiring any

additional land. We are also continuing to work with a BSR-led initiative and engage other stakeholders to understand how we can better contribute to preventing people with customary land rights from being unfairly forced off their land.

### **Anti-Corruption Policies and Procedures, Risk Prevention and Mitigation**

We are well aware of the additional corruption risk associated with doing business in Myanmar and believe that we have policies and procedures in place to address this risk. Gap Inc. has developed a company-wide compliance framework for monitoring, enforcing and addressing any issues against our policies that prohibit and prevent corruption. We have an Anti-Corruption Policy, which is incorporated by reference into our Code of Business Conduct.

Our Anti-Corruption Policy prohibits bribery by an employee or agent of Gap Inc., including the offering or accepting of anything of value in exchange for preferential treatment personally or in favor of the Company. The policy combines elements from our Code of Business Conduct with anti-bribery requirements under the U.S. Foreign Corrupt Practices Act (FCPA). This provides a framework to help employees recognize and avoid corrupt business practices in all aspects of the company's business.

Our Anti-Corruption compliance program is led by our Chief Compliance Officer and supported by the Global Integrity (GI) team. We have developed targeted, reoccurring training programs for middle management level and above to ensure they are aware of and knowledgeable about our anti-corruption policies and compliance procedures.

Prior approval from GI is required for any lawful, reasonable and bona fide expenditures that would be made to foreign officials. Gap Inc. strictly prohibits any payment for convenience or to facilitate or expedite performance of routine government functions. In addition, no funds, assets or personnel of Gap Inc. or any Gap Inc. affiliated company may be used to make any political contribution or render assistance to any foreign political party or foreign candidate for political office, without the prior written approval of Gap Inc.'s Chief Compliance Officer.

Our purchase order contract, which is issued with each product order, explicitly requires that our suppliers adhere to U.S. and local anti-corruption laws. We also require a signed agreement from the vendor acknowledging their obligation to comply with such laws.

Each year, senior level management (Director level and above) are required to certify that they are not aware of any inappropriate payment to a government official, or otherwise, are asked to provide information to our GI team for further investigation.

Due to the additional risk in Myanmar, senior representatives from our Sourcing and GI functions have held in-person meetings with factory management to share and discuss our policies and expectation that our business partners also adhere to our anti-corruption policy.

### **Other Topics**

The additional topics below from the U.S. Government's Responsible Investment Reporting Requirements have not been a factor in our activities in Myanmar to date.

### **Arrangements with Security Providers**

Gap Inc. has not used the services of any security providers in Myanmar. During our many visits to the factories and meetings with management and workers, we have not encountered indications that any involvement of security providers poses a serious risk to workers' well-being or our business.

### **Transparency**

We have not made any payments to government entities and/or any subnational or administrative entity in Myanmar other than those that may be required in the normal course of business such as customs duties or taxes. We have not made any payments that we believe pose a serious risk of violating our policies or raising concerns about corrupt practices.

### **Military Communications**

We have not engaged in any communications with members of Myanmar's military.

Please refer to our most recent [2011-12 Social & Environmental Responsibility Report](#) for more information about Gap Inc.'s policies, programs and practices.

## **SUPPLEMENTAL INFORMATION**

Appendices A-C below provide Supplemental Information, which is not specifically required or requested by the U.S. State Department Guidelines, about the development context in Myanmar, specific human rights and business issues and Gap Inc.'s social investment and efforts to advance women in the country.

### **Appendix A – Issues Affecting Business in Myanmar**

#### **Stage of Development and Rule of Law**

After a prolonged period of isolation from much of the rest of the world, Myanmar is just getting started on its journey of economic and social development in many respects. The country's early stage of development is reflected in a number of leading indices and indicators, including the UNDP's Human Development Index, the Social Progress Index and the World Bank's Worldwide Governance Indicators.

To date, Myanmar has had little rule of law, and many government and administrative institutions have yet to be formed or develop the capacity to effectively perform their intended functions. The country is just beginning to develop modern national laws on investment, business practices, government budgeting, human and labor rights, environmental protection and other governance matters.

Local enterprises in the apparel and other industries are often not accustomed to complying with international standards or legal requirements, which are often loosely or not enforced.

#### **Child and Forced Labor**

Current local laws allow youth ages 15-18 years old to work without protective restrictions if certified as "fit-to-work" by a medical doctor. Age verification is complicated by a lack of documentation and steady migration from rural to urban areas for work. Birth registration has been informal or nonexistent in smaller towns and villages, and under-age workers often use false identification to obtain employment.

Myanmar has ratified the ILO Convention on Worst Forms of Child Labor, which is scheduled to be enforced by December, 2014. This will require protective restrictions on hazardous jobs for juveniles to be enforced by law.

In March 2012, the ILO and Myanmar government achieved a significant breakthrough by developing a joint program to eliminate forced labor by 2015.

### Working Hours and Wages

At local enterprises in Myanmar, workers often log long hours that exceed international standards for acceptable overtime. Demanding work schedules may be driven by management directives or workers' desire to supplement their income, or both.

While the government is making efforts to define regional- and sector-specific minimum wages, there is currently no official minimum wage for private sector workers in Myanmar.

### Freedom of Association and Collective Bargaining

The military government outlawed independent unions in 1964, and no union activity was permitted until after 2000. Considering this history and the impact of economic sanctions, union activity has been largely non-existent until the recent political transition. As a result, most businesses in Myanmar have minimal experience managing relations with workers through unions or other forms of organization, and workers are not accustomed to using this mechanism to express grievances and advocate for their rights.

By multiple accounts, there has been significant progress in the areas of FOA and trade union activity within the last few years.

- Myanmar has instituted laws protecting workers' rights to form unions, engage in collective bargaining, strike and settle labor disputes. The Labour Organizations Law (October, 2011) and the Settlement of Labour Disputes Law (March, 2012) form the legal foundation for the protection of FOA.
- The exiled general secretary of the ITUC-affiliated Federation of Trade Unions of Burma (FTUB) was allowed to return to the country in August, 2012.
- The ILO began conducting union awareness programs in 2012. The ILO's Fundamental Principles and Rights at Work program in Myanmar include a scaled-up FOA program.
- The number of unions in Myanmar has rapidly expanded in recent years.

While these changes are encouraging, much work remains for the government, companies and civil society to ensure that new protections are consistent and enforced and that local businesses take action on implementing policies and procedures that enable workers to organize and resolve grievances.

### Corruption and Governance

The U.S. Treasury Department Office of Foreign Assets Control (OFAC) maintains a Specially Designated National (SDN) List that identifies individuals and businesses in

Myanmar who are suspected of involvement in human rights violations, narcotics trafficking or other crimes. U.S. businesses are banned from engaging in business contact with individuals on the SDN List. Gap Inc. has worked with our banking institution to ensure, collectively, that processes and controls are in place to comply with the OFAC regulations.

#### Land Rights and Property Acquisition

Over the past 20 years, the ownership of 1.9 million acres of land was transferred to private firms in Myanmar. Local stakeholders point to examples of land grabbing becoming more common in recent years following the lifting of economic sanctions as new business interests look to capitalize on Myanmar's emerging economic opportunities. Some estimate that up to 3.6 million hectares of land were confiscated during the period 2010-12.

#### Discrimination and Ethnic Conflict

Ethnic minorities make up about 30 percent of Myanmar's population, though many live considerable distances from Yangon relatively close to borders with neighboring countries. Related ethnic tensions can be a source of discrimination and instability that could affect communal relations in Yangon. This context adds to the risk of non-compliance with our COVC requirements that prohibit any form of discrimination in hiring, firing and terms of employment.

#### Building and Fire Safety

Myanmar currently has no national code that applies to the design and construction of buildings. From 1998 on, private industry led the construction of one- and two-story buildings like those typical of Myanmar's apparel industry, which were not required to comply with formal code permitting requirements. The government is reportedly considering implementation of the provisional Myanmar National Building Code (MNBC) that was issued in September, 2013. In addition to the MNBC, the development of disciplinary boards would be important for ensuring enforcement of the code provisions.

## **Appendix B – Apparel Industry’s Role in Myanmar’s Development**

We have chosen to enter Myanmar expecting to encounter and prepared to address the challenges of doing business in a newly developing country. We believe doing what’s right for the workers and factories that make our clothes will be good for our business and the country’s development.

There is much work for the private, public and non-profit sectors to do in order to improve working conditions and build a globally competitive garment industry in Myanmar. The country’s early stage of development and nascent legal system present a number of challenges to protecting human rights and conducting business responsibly.

Considering these challenges, we believe that multinational companies and the garment industry, in particular, can play a key part in improving workers’ lives and advancing the country’s social and economic development. Myanmar’s garment industry has the potential to provide a pathway to a better life for a number of the country’s people by providing employment with dignity that is grounded in international standards. In the early 2000s prior to the imposition of economic sanctions, the industry employed approximately 300,000 people according to government figures, and generated roughly \$800 million in export earnings.

### **Role of Women in Myanmar’s Development**

Industries and initiatives that empower women play a key role in the sustainable economic growth of Myanmar and other developing countries. In developing countries like Myanmar, the garment industry is often the first place that many people, especially women, are able to find an alternative to subsistence agriculture or uncertain, day-to-day work in the informal economy. Outside of apparel, these women tend to have far fewer alternatives for work than their male counterparts. Garment factories operating in accordance with international standards can offer the relatively rare prospect of steady, full-time employment and a regular paycheck.

Creating economic opportunities for women has an important multiplier effect on family and community well-being and countries’ overall economic development. When women have a chance to join the formal labor force, their health improves and they invest the money back into their children and local communities. These investments ultimately pay off by accelerating economic growth and raising standards of living.

## **Appendix C – Gap Inc. P.A.C.E. Programs for Women’s Advancement**

As part of our commitment to support inclusive development and women’s advancement in Myanmar, Gap Inc. is developing three variants of its P.A.C.E. (Personal Advancement & Career Enhancement) programs for advancing women in the country. These programs include:

- P.A.C.E. Program for women in garment factories
- P.A.C.E. Community Program
- P.A.C.E. Community Program for Women’s Entrepreneurship

### **P.A.C.E. Program for Garment Factories**

Building on the program’s success in other countries, we are working with the local affiliate of our long-time implementation partner, CARE International, to launch the Gap Inc. P.A.C.E. Program at the factories that are producing our clothes in Myanmar by the end of 2014. Gender equity and women’s advancement are fundamental to P.A.C.E. and closely linked with CARE’s core principles, project objectives and ways of working.

The Gap Inc. P.A.C.E. Program promotes the advancement of female garment workers by providing life skills education and technical training to help women become more successful both in their personal lives and in their careers. The centerpiece of the program is 65-80 hours of instruction on up to eight learning modules that focus on building women’s life and professional skills. According to a [study](#) by the International Center for Research on Women, the share of P.A.C.E. graduates across all sites who reported a high level of each outcome indicator showed a:

- 49 percent increase in self-esteem, resulting in greater confidence in dealing with work and family situations;
- 150 percent increase in self-efficacy, demonstrating increased confidence in realizing goals or tasks at home and at work, and performing work more efficiently;
- 119 percent increase in work efficacy; and a
- 100 percent increase in workplace influence, boosting both the quality of work and productivity and improving relationships with co-workers and supervisors.

Cultural sensitization is a key aspect of the P.A.C.E. programs’ approach to expanding opportunities for women. Before initiating the program, we make sure to engage key influencers to ensure support for women’s participation in the program and the substantial time commitment it requires. At the factory, this includes educating and

gaining buy-in from managers and supervisors at every level of the organization, including production and floor managers. At home, we also work to engage family members – including husbands, fathers and brothers where present – and urge them to support the woman’s participation in P.A.C.E.

Through these efforts, P.A.C.E. has provided life skills learning to more than 25,000 workers in seven countries across Asia since 2007. To learn more about the Gap Inc. P.A.C.E. Program, please refer to this Gap Inc. [site](#) and this Gap Foundation [site](#).

### **P.A.C.E. Community Program**

We also plan to expand the P.A.C.E. program beyond the factory walls by introducing the P.A.C.E. Community Program to select communities in Myanmar where CARE has existing programs. The initiative will target women living in urban or peri-urban community settings in close proximity to garment factories in Yangon used by Gap Inc. and other apparel companies. In addition to women from the host communities, it will also aim to serve the substantial population of female migrant workers who have recently relocated to urban areas to work in the formal and informal sectors.

The initiative will implement three core P.A.C.E. modules in a participatory learning environment that will be contextualized to fit the needs and challenges of the local communities and translated into the local language. The three core modules include: communication, problem-solving and decision-making, and time and stress management. A supplementary module may also be developed to suit local community needs. These modules will be embedded into CARE Myanmar’s existing work in the township, which targets the same women and aims to increase awareness and access to information on health, employment services, gender discrimination and violence against women.

Community mobilization is a critical aspect of reaching marginalized women in a community setting. We will organize an orientation program and work with key influencers and social enablers, including local authorities and stakeholders, to foster a supportive environment that will help women practice the skills and knowledge they have gained through the program. To address issues related to urban migrant women, CARE will also engage communities to improve the enabling environment for conducting training, promoting safety and security, and increasing understanding of women’s issues and health.

### **P.A.C.E. Community Program for Women’s Entrepreneurship**

In addition, Gap Inc. signed a Memorandum of Understanding (MOU) with USAID in June, 2014 to further invest in Myanmar’s social and economic growth. As part of this

collaboration, Gap Inc. will be working with Indiana University (IU) and Hewlett-Packard (HP) to further expand the P.A.C.E. Community Program. By leveraging the shared knowledge and expertise of all partners, this initiative will allow for launching the P.A.C.E. program in select HP Life Centers in Myanmar. We are currently exploring opportunities to adapt P.A.C.E. learning modules to suit the needs of entrepreneurially inclined women in the community.